

**Ratnapura Municipal Council**  
**Ratnapura District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented to audit on 27 March 2018 and the report of the Auditor General on the financial statement had been forwarded to the Chairman on 18 July 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ratnapura Municipal Council as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following matters were observed.

- (a) The opening balance of motor vehicles and carts account had been overstated by Rs.550,000 and as such the property, plant and equipment had been overstated by similar amount as at 31 December 2017.
- (b) The fixed assets costing Rs.917,196 purchased during the year under review had been brought to account as Rs.1,067,728. As such the balance of the fixed assets had been overstated by Rs.150,532.
- (c) Sums totalling Rs.647,480 payable to 03 works which completed during the year under review had not been brought to account and as such the capital expenditure and the creditors as at 31 December 2017 had been understated by similar amount.
- (d) Provisions for creditors had not been made in the year under review relating to the payments made in the year 2018 totalling Rs.86,065 and as such the creditors had been understated by similar amount.
- (e) Assets purchased during the year under review totalling Rs.279,500 had not been capitalized.
- (f) Value Added Tax included in the rest house lease rent revenue received in November 2017 amounting Rs.489,796 had been credited to the lease rent revenue and as such the operating revenue of the year under review had been overstated by similar amount. Similarly, the rest house lease rent relating to the year under review had been understated by Rs.116,693.

- (g) Even though, the arrears of rest house lease rent recoverable from Urban Development Authority amounted to Rs.4,803,635, that amount had been brought to account as Rs.7,069,859 and as such the debtors had been overstated by Rs.2,266,224.
- (h) Rates and taxes which credited to revenue collection special account amounting to Rs.2,318,936 had been entered twice in transferring to revenue account and as such the operating revenue of the year under review had been overstated by similar amount and the balance of the revenue collection special account had been understated by similar amount.
- (i) Five tractors, 05 trailers and a three wheeler received as donations from the Chief Ministry during the year under review totalling Rs. 12,558,150 had not been capitalized and the value of 05 sewing machines received from the Provincial Ministry of Social Welfare had not been identified and capitalized.
- (j) Advertisement hoardings charges relating to the year under review had been brought to account overstating by Rs.482,900.
- (k) Even though, the revenue billed relating to the year under review for the cinema hall belonging to the Council amounted to Rs.680,000, it was brought to account as Rs.136,000 and as such operating review had been understated by Rs.544,000. Similarly, the fines computed on the arrears of lease rent amounting to Rs.136,000 had not been brought to account.
- (l) Even though, the arrears of lease rent recoverable from previous lessee and the present lessee for the cinema hall stated in the paragraph (k) above as at 31 December 2017 amounted to Rs.2,633,000, it was shown as Rs.551,000. As such, the debtors had been understated by Rs.2,082,000.
- (m) Sums totalling Rs.1,217,915 had been debited to the creditors account in payments made during the year under review for 02 works for which provisions were not made for working creditors in the preceding year,. As such, the creditors had been understated by similar amount.
- (n) Arrears of business tax relating to the year under review amounting to Rs.430,800 had not been brought to account.

### **1.3.2 Unreconciled Accounts**

The following matters were observed.

- (a) A difference totalling Rs.8,297,141 was shown between the balances according to the financial statements in 04 current accounts of the Council and the balances according to the summarized cash books.

- (b) According to the summarized cash books maintained by the Council, the balance of cash in hand as at 31 December 2017 amounted to Rs.1,173,653 but it was shown as Rs.663,180 in the financial statements. As such, there was a difference of Rs.510,473.
- (c) A difference totalling Rs.29,554,297 was shown between the Deposits register and the balances of deposits shown in the financial statements.
- (d) A difference of Rs.1,038,842 was shown between the receipts and payments of Value Added Tax of the year under review and that account in the general ledger.
- (e) A difference of Rs.4,795,646 was shown between the revenue shown in the financial statements relating to 09 items of revenue and the registers of revenue.

### 1.3.3 Accounts Receivables

The Council had failed to recover a sum of Rs.2,300,000 of which in arrears for a longer period even during the year under review recoverable from Sabaragamuwa Bus Company.

### 1.3.4 Lack of written Evidence for Audit

Twelve items of accounts totalling Rs.402,962,895 could not be satisfactorily verified in audit due to non-submission of required information.

### 1.3.5 Non-compliances

#### Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

#### Reference to Laws, Rules, Regulations and Management Decisions

#### Non-compliance

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| <p>(a) <b>Section 122 of Municipal Council Ordinance (Cap.252)</b></p> | <p>Action had not been taken to conduct inspections from time to time in the Municipal area with an intention to know without any doubt that the houses and the buildings situated in the Municipal area were maintained with proper sanitation conditions under the said Act or any other Statute. While the respective inspections only had been carried out in granting approval for the building applications.</p> |
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**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(i) Financial Regulation 571

Action had not been taken on lapsed deposits totalling Rs.6,984,940 in respect of the period from the year 2001 to 2015.

(ii) Financial Regulations 756

The Board of Survey for the year under review had not been conducted even by 31 May 2018.

**(c) Circular No.02/2015 of the Ministry of Finance dated 10 July 2015.**

(i) Paragraph 03

The disposable motor vehicles had been identified by the Transport controller of the Council without being appointed a special Boards of Survey consisting of members who qualified to identify the vehicles to be disposed.

(ii) Paragraph 05

Eight motor vehicles had been auctioned based on the assessed prices given by Assistant Director (Mechanical) of the Development Construction and Machinery Authority of the Sabaragamuwa Provincial Council without being appointed a Board including 3 officers nominated as to be participated compulsory to assess the motor vehicles to be disposed.

(d) Public Finance Circular No.01/2012 dated 05 January 2012.

Seven contracts which estimated cost totalling Rs.5,518,635 had been awarded based only the request letter of the society and the Certificate of Ability given by the institute which had registered the society without being examined the qualifications through a 3 persons Committee consisting of 2 persons nominated by the Head of the Department and the Divisional Secretary of the area.

(e) Circular No.2009/01 of the Commissioner of Local Government dated 09 March 2009.

Paragraph 1.5

Even though, the assessed value of lease rent should be revised at least once in 05 years, the lease rent for the trade stalls of Ratnapura Public Market had not been revised since 20 years.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.90,472,449 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.71,376,984.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review appears below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	32,000,000	31,088,136	30,494,091	26,806,840	36,500,000	34,424,023	31,632,960	29,504,918
Lease Rent	63,165,069	70,584,039	66,602,133	27,986,516	62,995,894	54,058,601	48,522,467	24,410,254
Licence Fees	5,997,100	2,424,403	2,424,403	-	6,092,300	1,844,884	1,844,884	-
Other Revenue	74,524,800	64,260,941	64,370,364	18,342,730	69,429,300	63,275,448	47,530,588	22,133,056

#### 2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in the revenue collected with regard to the revenue items such as lease rent and other revenue by 12 per cent and 03 per cent respectively and revenue from the rates and taxes, licence fees, service charges, warrant charges and fines and the contribution made by Government had decreased by 05 per cent, 60 per cent and 25 per cent, 74 per cent and 15 per cent respectively as compared with the estimated revenue.

#### 2.2.3 Rates and Taxes

The following matters were observed.

- The balance of arrears of rates and taxes as at 31 December 2017 amounted to Rs.26,674,986 while the action of the Council for recovery of those arrears had been at a weak level. Further, the Council had failed to furnish an age analysis on the balance of arrears of rates and taxes.
- Even though, the all immovable properties in the authoritative area of the Council should be assessed once in 5 years to recover rates and taxes, the rates and taxes has been recovered as per the assessment of the year 1997. Even though, the implementation of the assessment of rates carried out in the year 2005 had been delayed by the Council and the

Finance Committee in 02 instances, a new assessment had not been carried out even by May 2018.

#### **2.2.4 Lease Rent**

- (a) It was informed by the letter of the Municipal Commissioner dated 09 August 2017 to remove all permanent and temporary constructions and permanent businesses which had been a hindrance to the passengers, motor traffic and drainage system of the Church Road of the Ratnapura City before 30 August 2017 and recovery of charges from the pavement traders who carried out businesses in the pavement of the road had also been stopped. The following observations are made.
- (i) Even though, any construction or pavement business had not been removed even by 31 May 2018, action had not been taken to remove those constructions and to recover losses in terms of the Section 77 of the Municipal Council ordinance.
  - (ii) Any of the obstruction arised due to the pavement business had not been removed. But the revenue collection of about Rs.5,000 per day from the pavement traders of the above road had been deprived by the Council. The revenue so deprived relating to the period from August 2017 to May 2018 totalled Rs.1,250,000 approximately.
- (b) Action had not been taken by the Council either to recover a sum of Rs.1,953,000 recoverable from lessee who maintained the Cinema Hall belonging to the Council situated in Ratnapura Town from 01 May 2001 to April 2010 or to take legal action against the lessee even by May 2018.

#### **2.2.5 Licence Fees**

The Council had failed to recover the business licence fees totalling Rs.430,800 recoverable for the year under review.

#### **2.2.6 Court Fines and Stamp Fees**

The court fines and stamp fees receivable from the Chief Secretary and other authorities as at 31 December 2017 amounted Rs.2,535,848 and Rs.15,028,546 respectively.

### **3. Operating Review**

#### **3.1 Performance**

The matters revealed in respect of the activities that should be carried out by the Council such as regularize and control over the matters on public health, public utility services and public roads, and comfort, facilities and wellbeing of the people under Section 4 of the Municipal Council Ordinance are given below.

#### **(a) Action Plan**

An annual action plan for the year under review had not been prepared by the Council.

**(b) Failure to achieve Expected Outcome**

According to the letter of the Secretary of the Finance Commission dated 30 April 2015, provisions at the rate of Rs.1 million had been made to every province for the capacity development of the Municipal Councils in respect of the year 2015. Further, the Capacity Development Programmes that should be implemented in the each Municipal Council by utilizing said provisions had also been mentioned. Accordingly, the programmes to facilitate payments through internet facilities and to attend for public complaints without a delay should be implemented by the Ratnapura Municipal Council and a Computer Software System thereon amounting to Rs.1,795,000 had been obtained in December 2016.

The following matters were observed.

- (i) In evaluation of bids, all bids had been evaluated based on the specifications in the Software System furnished by the institute of which awarded the procurement, without being evaluating the bids received with the specifications previously prepared. Therefore, the reasonableness was not fulfilled to other parties who participated for the procurement and the opportunity to purchase a software system required for one out of two main objectives of, to establish the Software System attend for public complaints without a delay had been deprived.
- (ii) Even though, the Rates and Taxes Management System included in the Software System purchased had been established from February 2018, miscellaneous revenue, library management and the internet payment facility systems had not been established even by May 2018. Similarly, the web site and the water management system also which agreed to supply free of charge by the supplier had not been established.

**(c) Failure to achieve Expected Output Level**

The Council had failed to implement 23 industries which estimated cost totalling Rs.62,320,000 for which made provisions from the annual budget during the year under review.

**(d) Solid Waste Management**

The following matters were observed.

- (i) Even though, the compost fertilizer had been produced by using vegetable remnants removed from public market and hotels of the city and categorized bio degradable waste collecting from 04 Grama Niladhari Divisions, the garbage bags collecting from the houses of 05 Grama Niladhari Divisions had been disposed to the sloppy open area without being done any categorization. As according to this position a severe problematic situation as environmentally and socially will be arised.

- (ii) Even though, the approval of the Commissioner of Local Government had been granted on 09 August 2017 for the work of Stage I of closure of waste which dispersed in the area of Kanadola waste disposing place, which estimated cost amounting to Rs.2,653,288, that project had not been commenced even by May 2018.
- (iii) Three machineries received in the year 2016 from Central Environmental Authority to re-cycle the waste had remained idle. Even though the respective buildings for that project had been constructed, the waste re-cycling activities had not been commenced.

(e) **Sustainable Development Goals**  
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Even though, the Council had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Council through global indicators for that objectives had not been prepared even by May 2018.

**3.2 Management Inefficiencies**

The following matters were observed.

(a) **Rest House Lease Rent**  
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- (i) Under the loan No.1204 SRI (SF) of the Asian Development Bank, a loan amounting to Rs.54,566,853 had been granted for the project of construction of bus stand and the market complex implemented in the authoritative area of the Ratnapura Municipal Council under Urban Development Sector Project. In terms of the letter No.29/06/24 of the Director General of the Urban Development Authority dated 31 August 2006, it was stated that 50 per cent from the payable amount to the Ratnapura Municipal Council as rest house lease rent will be compensated to the above loan from July 2004. Nevertheless, the amount so compensated had not been identified and the entire loan amount had been brought forward as a liability even by the year under review.
- (ii) A sum of Rs.4,442,452 had been received in November 2017 as rest house lease rent relating to the period from September 2013 to September 2017. But the rest house lease rent recoverable for the above period as per the agreement dated 01 March 2012 amounted to Rs.4,598,573, thus a sum of Rs.156,121 had been under received. Nevertheless, the follow-up action thereon had not been carried out.
- (iii) The rest house lease rent recoverable for the period from 2009 to August 2013 amounting to Rs.4,366,496 had not been recovered by the Council and action had not been taken by the Council either to recover that money from the Urban



Development Authority or to ensure that, above money had been compensated to the loan payable to that institution.

- (b) The Ratnapura – Weralupa Road had been developed by the Urban Development and Low Income Housing Project implemented under Asian Development Bank Loan Project – No.1632 SRI (SF) in the year 2005. The payable loan amount by the Council thereon amounted to Rs.12,656,450. As the above road had not been developed properly, the road had not been vested by the Council even by the year under review and the action had not been taken to pay the loan amount as well. Even though, the entire loan amount had been brought forward in the financial statements continuously, no action whatsoever had been taken by the Council to settle the above issue.
- (c) Five bidders who submitted bids to purchase motor vehicles in the auction of motor vehicles conducted during the preceding year had not paid money and had not taken over those vehicles. Even though, the reminders had been sent to those bidders, no further actions had been taken thereon.
- (d) Nine accounting errors totalling Rs.18,384,712 identified in the previous year had not been rectified even by the end of the year under review.

### 3.3 Management Inefficiencies

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The following matters were observed.

- (a) A proper programme had not been available in the Council to identify the unauthorized constructions but the unauthorized constructions had been identified only on the petitions received. Therefore, a risk of the increasing of unauthorized constructions further was shown. The matters observed during the course of audit test checks on the unauthorized constructions are as follows.
  - (i) Even though, a notice on unauthorized construction had been sent on 08 September 2011 to a 4 storied building situated in Ratnapura, Demuwawatha Municipal Council area, action had not been taken to remove that building. As per the letter of the Secretary of the Ministry of Defence and Urban Development dated 09 May 2012, it was informed to the respective party to take action to obtain the approval of the planning committee of the Council for that building. Accordingly, the application relating to the building had been received by the Council on 17 July 2012. Nevertheless, the plan could not be approved as the building was not in accordance with the proper specifications. But action had not been taken by the Council to remove that building even by May 2018.
  - (ii) Even though, written information had been made to remove 11 unauthorized constructions identified on complaints received during the year under review and

the preceding year, action had not been taken by the Council to remove 09 unauthorized constructions which had not been responded thereon.

- (iii) Despite that, the approval of the Council for a building application to construct a wall had not been received, the respective wall had been constructed violating even the street line limit which had to leave out. But the Council had not taken action thereon.
- (b) Even though, it was identified that, 71 blocks of land of which total extent of 06 acres, 01 rood and 02 perches and 98 blocks of lands of which not identified the extent belonging to the Council had been unauthorizedly acquired by external parties, action had not been taken for vesting or to regularize of those properties.
- (c) The revenue of stamp fees and court fines relating to the year 2017 had not been identified and the estimated amount of Rs.22,000,000 had been brought to account.

### **3.4 Transactions of Continuous Nature**

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The following matters were observed.

- (a) Due to the deficiencies of a van belonging to the Council such as decaying entire body of the van and had to repair all the seats and air conditioned system and decaying rim set entirely, the procurements had been invited in the year 2016 to repair that vehicle fixing with reconditioned body. The following matters were observed.
  - (i) Even though, the letters of inviting quotations had been sent to 05 institutions, 2 institutions out of that were fake institutions. Only 2 institutions out of the balance 03 institutions had quoted the prices and the procurement had been awarded to the institution which was the only institution who quoted from the Ratnapura area by considering the reasons such as the lowest bidder was requested the advances and to examine the repair work easily.
  - (ii) The Council had handed over the van for repairs on 20 October 2016. Subsequently, it was informed by the letter of the Municipal Commissioner dated 23 October 2016 to suspend the repair work temporarily until inform again and it was informed by the letter dated 20 April 2017 to the above institution to restart the repair work. However, the respective vehicle parked in the garage for over a period of 16 months had been brought back to the Council on 02 March 2018 without being repaired and the vehicle had remained decaying even by June 2018 without being referred for repairs or to dispose.
- (b) The driver had informed by the letter dated 07 July 2016 that the three wheeler purchased on 28 July 2004 should be repaired due to the deficiencies such as decaying the wipers and the floor board entirely, and to be replaced the roof canvas and to be fully replaced

with new seats. But the District Mechanical Engineer of the Development Construction and Machinery Authority had recommended to dispose that vehicle under the method of disposing of damaged articles. Subsequently, the Council had decided to auction that vehicle and the District Mechanical Engineer had assessed that three wheeler vehicle for a sum of Rs.125,000. But, according to the physical examination carried out on 31 August 2017 it was observed that mentioning of the floor board of the three wheeler vehicle was decayed entirely had been incorrect. The three wheeler vehicle which remained in running condition had been parked in the stores of the Council without being repaired and utilized or without being disposing even by June 2018.

### **3.5 Assets Management**

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#### **3.5.1 Failure to carry out Maintenance and Repairs**

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A cab vehicle received under 'UNICEF' Aid in the year 1992 had met with an accident on 03 October 2004 and severe losses had caused for the vehicle due to the explosion of the engine of the vehicle. After the accident, the vehicle had not been repaired and it was auctioned on 09 September 2016. The following observations are made.

- (a) Action had not been taken to obtain unused certificate which should be obtained in terms of Sub-section 37(3) of the Motor Traffic Act No.14 of 1951 and as such a sum of Rs.75,384 had been paid as arrears of Revenue Licence Fees for the period from 01 January 2008 to 30 August 2016.
- (b) The cab vehicle had been handed over to a private institution for repairs in the year 2004, and an estimate amounting to Rs.96,150 in addition to the Rs.500,000 for spare parts had been submitted. A sum of Rs.125,037 had been given by the insurance coverage on 22 March 2005 and informed that the balance relating to the repairs will be paid after submitting the bills. Despite, that the expenditure could have been reimbursed by the insurance coverage action had not been taken to repair the vehicle whilst the vehicle had been parked in the garage insecurely.
- (c) The Council had taken a decision to repair the cab vehicle by the decision No.3(20) dated 30 April 2007 and, the Depot Superintendent of Ratnapura also recommended to repair the vehicle by the letter dated 05 February 2010. But without considering said recommendations the cab vehicle which parked in the vehicle yard of the Municipal Council for about 10 years had been auctioned on 09 September 2016 for a sum of Rs.1,145,000.
- (d) According to the final report of the investigation carried out on the accident in terms of Financial Regulation 104(4) the decision had been given as the driver was offender. But the disciplinary action had not been taken against him and had not been recovered the loss.

### 3.5.2 Idle Assets

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The following matters were observed.

- (a) Two concrete mixture machines had been purchased by incurring Rs.320,000 on 26 January 2012. One machine out of that, had remained idle from the year of purchase and the other machine could not be utilized had remained idle for over a period of 02 years.
- (b) Even though, a machine for service of washing of vehicles had been purchased by the Council by incurring Rs.335,000 on 15 July 2016, that vehicle had remained idle for nearly 2 years. Even though, the machine had been taken to utilize in May 2018, that had become non-operative within some days. But the machine had not been repaired even by 18 June 2018.

### 3.6 Identified Losses

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Even though, a motor bicycle utilized by a former Works Superintendent of the Council since 02 February 2016 had met with an accident on 02 February 2016, it was not informed to the Council. Subsequently, the motor bicycle had been referred to a garage for repairs without an approval of the Council and again it was met with an accident with a lorry belonging to a private institution on 18 October 2016 when it was parked in the garage.

The following matters were observed.

- (a) An estimate amounting to Rs.108,750 had been submitted in respect of the all repairs to be carried out after the second accident. As the insurance certificate already elapsed by the date of the accident occurred, the insurance company had informed that the insurance benefits could not be paid. But the enquiries had not been made from the insurance company for the reasons of cancelling of insurance coverage despite, that the payments had been made on 26 May 2016 as charges for renewal of insurance coverage for the period from 31 May 2016 to 30 May 2017 amounting to Rs.11,407.
- (b) Even though, the second accident was occurred due to the mistake of the driver, of the lorry action had not been taken to recover the loss from the driver.
- (c) Even though, the officer who utilized the motor bicycle had retired on 15 October 2016, the motor bicycle which was in his custody had not been properly handed over. But without considering that, the retirement benefits entitle to him had been paid on 16 January 2018.
- (d) Even though, it was recommended by the report of the investigation dated 18 September 2017 carried out by the Internal Auditor of the Council as per the direction of the Municipal Commissioner to take disciplinary action against the officer who used the

motor bicycle and to recover the loss, those recommendations had not been implemented even by May 2018.

- (e) The respective motor bicycle had been parked in the stores of the Municipal Council even by June 2018 without being carried out any repair.

### **3.7 Procurements**

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#### **3.7.1 Procurement Plan**

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A Procurement Plan for the year under review had not been prepared.

#### **3.7.2 Supplies and Services**

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The following matters were observed.

- (a) The tyres and tubes required for the motor vehicles of the Council had been purchased in 02 instances during the year under review by incurring Rs.821,560 and a loss amounting to Rs.88,204 caused to the Council Fund due to the mistake arised in inviting procurements, evaluation and awarding procurements relating to that.
- (b) The payments of Value Added Tax should not be made for any supply of which had not submitted an invoice of Value Added Tax (VAT). Nevertheless, a sum of Rs.70,834 had been overpaid due to the full amount (with tax) mentioned in the invoice submitted without the VAT Registration number had been made.
- (c) A concrete mixture machine had been purchased for the Council during the year under review by incurring a sum of Rs.308,000. The procurement there on had been awarded to the institution who submitted highest prices rejecting lowest prices due to the mistakes made in evaluation of bids relating to that. After the goods received it was informed to the respective institution to take back the machine by stating that, the machine was not in accordance with the specifications. The machine was not taken back even by June 2018, while action had not been taken to purchase another machine for execution of the requirements of the Council.

#### **3.7.3 Contract Administration**

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The following matters were observed.

- (a) The agreements had been signed on 16 November 2017 for concreting the Mahawalawatta First Cross Road with the culvert which estimated cost amounting to Rs.1,106,504 and the work should have been completed within one month. Nevertheless, the work had not been commenced even by June 2018.

- (b) Provisions of Rs.1,066,987 had been made by the Divisional Secretariat, Ratnapura on 09 October 2017 for the work of construction of a retaining wall of the Mihindugama, Athkam Niwasa Road under the programme of Rehabilitation and Constructions of the roads damaged due to floods and land slides.

The following matters were observed.

- (i) In terms of the agreement signed by the Divisional Secretary, Ratnapura and the Municipal Commissioner on 11 October 2017, the work should be completed before 25 November 2017. But awarding of the contract for the selected farmer organization was delayed up to 16 November 2017.
- (ii) Even though, the contract work was not completed even by 28 February 2018, a request for an extension had not been made by the contractor. Accordingly, a sum of Rs.20,843 should have been recovered as liquidated damages by 28 February 2018 in terms of Section 4 of the contractual agreement.
- (iii) According to the letter of the Divisional Secretary, Ratnapura dated 08 December 2017, the extension of the period had been given only up to 15 December 2017 and it was informed that further extensions will not be allowed. Accordingly, there was a risk of non-receiving provisions due to the delay of the completion of work.
- (c) The work completion report had been given by the technical officer on 22 December 2017 mentioning that the construction work of the retaining wall near the Muwagamakanda Vivekarama Temple of which estimated value amounting to Rs.1,168,527 had been satisfactorily completed. According to the payment bill a sum of Rs.25,712 had been paid to earth filling. But, it was observed at the spot examination carried out on 19 February 2018 the places in which earth was not filled between the retaining wall and the road. According, to the cost estimate, provisions of Rs.25,000 had been made to construct a security fence, but that work had not been executed.
- (d)
- (i) The bids had been called in the year 2015 relating to the improvement work (air conditioning, laying tiles and repairs of lavatory) of first floor of the Ratnapura Town Hall of which contractual value amounting to Rs.5,598,069, and the agreements had been signed on 04 July 2016. Even though, the completion date of the work had been extended up to 25 December 2016, the activities of the work had been stopped half way due to disagreement of the contractor and the Council. The Council had failed to solve the problem and to recommence the work even by June 2018.
- (ii) The air conditioners had been fixed in the Town Hall by 29 August 2016 and a sum of Rs.3,718,220 had been paid thereon. Nevertheless, the other activities

required to take to operational level of air conditioners had not been carried out whereas those air conditioners had remained idle even by June 2018.

#### 4. **Accountability and Good Governance**

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##### **Budgetary Control**

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The following matters were observed.

- (a) Entire provisions totalling Rs.75,172,500 made for 85 Objects had been saved.
- (b) Out of the provisions totalling Rs.37,758,380 made for 33 Objects, the savings had ranged from 80 per cent to 99 per cent.

#### 5. **Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

##### **System**

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##### **Deficiency**

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| (a) Accounting              | (i) Omissions in the accounts.<br>(ii) Failure to identify the due revenue.<br>(iii) Non-reconciliation of financial statements and subsidiary registers. |
| (b) Revenue Administration  | Non-recovery of due revenue.  |
| (c) Assets Control          | (i) Existence of Idle Assets.<br>(ii) Unauthorized constructions in the lands belonging to the Council.   |
| (d) Budgetary Control       | (i) Excess of provisions.<br>(ii) Savings of provisions.  |
| (e) Contract Administration | Long delays in contract works.  |